

NEWCORP, INC.
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/29/09

Sean M. Bruno
Certified Public Accountants

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Sean M. Bruno
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Newcorp, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of **Newcorp, Inc.** (a non-profit organization) as of December 31, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of **Newcorp Inc.**'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements referenced in the first paragraph present fairly, in all material respects, the financial position of **Newcorp, Inc.** as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Newcorp, Inc.
New Orleans, Louisiana
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In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2009, on our consideration of Newcorp, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended December 31, 2008. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Newcorp, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Government and Non-Profit Organizations*, and is not a required part of the basic financial statements of Newcorp, Inc. The information in the schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS

June 23, 2009

Sean M. Bruno
Certified Public Accountants

NEWCORP, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2008

ASSETS

Cash and cash equivalents (NOTE 2)	\$ 1,257,049
Investments	156,889
Grants receivable	80,356
Loans receivables (NOTE 2 and 3)	4,904,591
Other receivables	2,350
Prepaid expenses	6,250
Fixed assets net of accumulated depreciation/amortization of \$151,115 (NOTES 2 and 4)	<u>58,706</u>
Total assets	<u>\$ 6,466,191</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 19,580
Payroll liabilities	1,065
Notes payable (NOTE 6)	232,787
Deferred revenue	573,038
Due to others (NOTE 5)	48,703
Other liabilities	<u>200</u>
Total liabilities	<u>875,373</u>
Net Assets (NOTE 2):	
Unrestricted	<u>5,590,818</u>
Total net assets	<u>5,590,818</u>
Total liabilities and net assets	<u>\$ 6,466,191</u>

The accompanying notes are an integral part of these financial statements.

NEWCORP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Revenues and Support:	
Grants and contracts	\$ 8,012,128
Loan interest income	23,169
Other income	<u>27,969</u>
Total revenues and support	<u>8,063,266</u>
Expenses:	
Program services	3,008,698
Support services	<u>291,008</u>
Total expenses	<u>3,299,706</u>
Change in net assets	<u>4,763,560</u>
Net Assets:	
Beginning of year	<u>827,258</u>
End of year	<u>\$ 5,590,818</u>

The accompanying notes are an integral part of these financial statements.

NEWCORP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 4,763,560
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation / amortization	19,907
Allowance for doubtful accounts	(645,974)
Decrease in grant receivables	30,629
Increase in outstanding loans receivable	(3,995,297)
Increase in other receivables	(2,350)
Decrease in prepaid assets	262
Decrease in deferred revenue	(2,435,954)
Decrease in other liabilities	(16,223)
Decrease in payroll liabilities	(22,565)
Decrease in due to others	(91,297)
Increase in accounts payable	<u>17,934</u>
Net cash used in operating activities	<u>(2,377,368)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(150,234)
Purchase of fixed assets	<u>(6,596)</u>
Net cash used in investing activities	<u>(156,830)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from notes payable	<u>79,222</u>
Net cash provided by investing activities	<u>79,222</u>
Net increase in cash and cash equivalents	(2,454,976)
Cash - January 1, 2008	<u>3,712,025</u>
Cash - December 31, 2008	<u>\$ 1,257,049</u>

NEWCORP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Program</u> <u>Services</u>	<u>Support</u> <u>Services</u>	<u>Total</u>
Salaries and payroll taxes	\$ 151,654	\$ 86,495	\$ 238,149
Health insurance	18,707	8,017	26,724
Insurance - liability	-	8,903	8,903
Training	900	-	900
Advertising	11,306	-	11,306
Casual labor	-	2,665	2,665
Equipment maintenance	5,570	8,358	13,928
Equipment	14,742	14,742	29,484
Miscellaneous expenses	-	663	663
Computer expense	18,681	12,367	31,048
Depreciation expense	-	5,702	5,702
Dues and subscriptions	3,931	983	4,914
Interest expense	522	-	522
Miscellaneous	-	1,753	1,753
Office supplies	6,250	3,332	9,582
Postage and delivery	1,350	-	1,350
Professional services	190,636	58,326	248,962
Accounting	20,278	13,519	33,797
Rent	30,765	30,765	61,530
Building repairs	651	3,688	4,339
Computer and equipment repairs	868	4,916	5,784
Software	953	5,398	6,351
Supplies - other	1,649	1,099	2,748
Telephone	7,642	2,547	10,189
Travel and entertainment	7,574	6,229	13,803
Other expense	3,943	10,541	14,484
Amortization expense	14,205	-	14,205
Donation	665	-	665
LDRF Grant expense	30,000	-	30,000
Economic Development Fund Grant expense	10,000	-	10,000
Louisiana Business Recovery Grant & Loan expense	2,337,739	-	2,337,739
SBA MicroLoan expense	103,349	-	103,349
Bad Debt Expense	14,168	-	14,168
Total expenses	<u>\$ 3,008,698</u>	<u>\$ 291,008</u>	<u>\$ 3,299,706</u>

The accompanying notes are an integral part of these financial statements

NEWCORP, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Newcorp, Inc. is a non-profit organization, which serves as a small business development center whose primary focus is to fund, enhance, stimulate, and facilitate economic opportunity for the disadvantaged business community in the State of Louisiana by providing access to capital and technical assistance primarily to help increase wealth in depressed communities.

Financial Statement Presentation

Newcorp, Inc. has adopted the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations", which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to external (donor) imposed restrictions.

A description of the three net asset categories is as follows:

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of **Newcorp, Inc.** are included in this category.

Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor-imposed restrictions (capital improvements, etc.) have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions.

At December 31, 2008, **Newcorp, Inc.** did not have any temporarily or permanently restricted net assets.

NEWCORP, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Cash Equivalents

For purposes of the statement of cash flows, **Newcorp, Inc.** considers all investments purchased with a maturity of three months or less to be cash equivalents.

Loans Receivable / Allowance for Loan Losses

Newcorp, Inc. Routinely participates in programs the loan funds to small businesses. Allowances for estimated losses on these loans are provided when in the opinion of management; such losses are expected to be incurred. Management evaluates the carrying value of these assets at least annually and the allowances are adjusted accordingly.

Revenue Recognition

Newcorp, Inc. recognizes all interest as income in the period earned.

Fixed Assets

Furniture and equipment are recorded at cost (or fair market value for donated assets) and are depreciated using the straight-line method over the estimated useful lives of the related assets, which vary from three to five years.

Income Taxes

Newcorp, Inc. is a tax exempt corporation under Section 501c(3) of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes have been recorded in the accompanying financial statements.

NEWCORP, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
CONTINUED:

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Values of Financial Institutions

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the statement of financial position. Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

NOTE 3 - LOANS RECEIVABLE

At December 31, 2008, amounts included in loans receivable were as follows:

SBA Loan Program	\$ 136,711
Community Development Financial Institution Program	47,769
Economic Development Program	195,697
Louisiana Disaster Recovery Program	17,110
Louisiana Business Recovery Grant & Loan Program	<u>4,507,304</u>
Loans Receivable	<u>\$ 4,904,591</u>

NEWCORP, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - LOANS RECEIVABLE, CONTINUED

LOUISIANA BUSINESS RECOVERY LOAN PROGRAM

The Louisiana Business Recovery grant and loan program supports small businesses by providing grants and low interest loans to assist with their recovery after the effects of Hurricane Katrina. In accordance with the terms of the program, Newcorp is allowed to maintain all principal and interest payments received from the businesses through loan payments. The amount recorded on the Schedule of Expenditures of Federal Awards is recorded as loan receivables in Newcorp's Statement of Financial Position.

NOTE 4 - FIXED ASSETS

Changes in the net book value of office furniture, computer equipment, and capitalized software costs during the year ended December 31, 2008 were as follows:

<u>Description</u>	<u>Balance January 1, 2008</u>	<u>Additions/ Deletions</u>	<u>Deletions</u>	<u>Balance December 31, 2008</u>
Computer equipment	\$ 100,326	\$ 6,596	-0-	\$ 106,922
Furniture & fixtures	4,796	-0-	-0-	4,796
Telephone system	975	-0-	-0-	975
Computer software	75,821	-0-	-0-	75,821
Leasehold improvements	21,307	-0-	-0-	21,307
Accumulated depreciation	(55,388)	(5,701)	-0-	(61,089)
Accumulated amortization	(75,821)	(14,205)	-0-	(90,026)
Total	<u>\$ 72,016</u>	<u>\$ (13,310)</u>	<u>\$ -0-</u>	<u>\$ 58,706</u>

Depreciation/amortization expense totaled \$19,907 for the year ended December 31, 2008.

NOTE 5 - DUE TO OTHERS

Newcorp, Inc. has entered into an agreement with a third party, not-for-profit organization, to be their fiscal agent until their application for tax-exempt status is approved. As of December 31, 2008, the total amount held on behalf of the third party totaled \$48,703.

NEWCORP, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - NOTES PAYABLE

Newcorp, Inc. had outstanding notes payable as of December 31, 2008 totaling \$232,787 as follows:

Newcorp, Inc. received a loan under the U.S. Small Business Administration (SBA) Micro Loan Program in the amount of \$350,000. The loan is to be repaid in ten years at interest rates ranging from 2.375% to 4.375%. No payments are required during the first twelve months from the date of the note. The proceeds from the loan are to be utilized to award micro loans to eligible small businesses.

As of December 31, 2008, **Newcorp, Inc.** has disbursed \$450,738 to small businesses as micro loans from the SBA loan funds. As of December 31, 2008, **Newcorp, Inc.** has an outstanding balance of \$232,787 on the note due to the SBA.

NOTE 7 - RELATED PARTY TRANSACTION

Newcorp leases office space from the Executive Director. Under the lease agreement, **Newcorp** is responsible for all utility and telephone charges. During the year ended December 31, 2008, the Executive Director was paid \$44,640 for rent payments.

NOTE 8 - CONTINGENCY

Newcorp, Inc. is the recipient of grant funds from various sources. The grants are governed by various guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by the grants are under the control and administration of **Newcorp, Inc.** and are subject to audit and/or review by the applicable funding sources. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

SUPPLEMENTARY INFORMATION

NEWCORP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA OR OTHER NUMBER</u>	<u>PASS - THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Awards from a Pass-Through Entity</i>			
Through: <u>Louisiana Department of Economic Development</u>			
CDBG - Louisiana Business Recovery Grant and Loan Program - Grants	14.218	645866	\$ 2,337,739
CDBG - Louisiana Business Recovery Grant and Loan Program - Loans	14.218	645866	<u>4,700,000</u>
Total U.S. Department of Housing and Urban Development			<u>7,037,739</u>
<u>U.S. Department of Treasury</u>			
<i>Direct Awards</i>			
Community Development Financial Institutions Fund	21.020	N/A	<u>145,000</u>
Total U.S. Department of Treasury			<u>145,000</u>
<u>U.S. Small Business Administration</u>			
<i>Direct Awards</i>			
Microloan Program	59.046	N/A	<u>126,695</u>
Total U.S. Small Business Administration			<u>126,695</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,309,434</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NEWCORP, INC.
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 - Basis of Accounting:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Newcorp, Inc.** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used, in the preparation of the basic financial statements.

NOTE - 2 LOAN PROGRAM

The Louisiana Business Recovery grant and loan program supports small businesses by providing grants and low interest loans to assist with their recovery after the effects of Hurricane Katrina. In accordance with the terms of the program, **Newcorp, Inc.** is allowed to maintain all principal and interest payments received from the businesses through loan payments. The amount recorded on the Schedule of Expenditures of Federal Awards is recorded as loan receivables in **Newcorp Inc.'s** Statement of Financial Position.

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**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Newcorp, Inc.
New Orleans, Louisiana

We have audited the financial statements of **Newcorp, Inc.** as of and for the year ended December 31, 2008, and have issued our report thereon dated June 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered **Newcorp, Inc.**'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Newcorp, Inc.**'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Newcorp, Inc.**'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(CONTINUED)

Internal Control Over Financial Reporting, (Continued)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Newcorp, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Newcorp, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Newcorp, Inc.'s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Newcorp, Inc.'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newcorp, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(CONTINUED)

We noted certain other matters that we reported to management of Newcorp, Inc. in a separate letter dated June 23, 2009.

This report is intended solely for the use of Newcorp, Inc., its management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



**SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS**

June 23, 2009

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Newcorp, Inc.
New Orleans, Louisiana

Compliance

We have audited the compliance of **Newcorp, Inc.** (a non-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended December 31, 2008. **Newcorp, Inc.**'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Newcorp, Inc.**'s management. Our responsibility is to express an opinion on **Newcorp, Inc.**'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Newcorp, Inc.**'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Newcorp, Inc.**'s compliance with those requirements.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)**

Compliance, (Continued)

In our opinion, **Newcorp, Inc.** complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of **Newcorp, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **Newcorp, Inc.**'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Newcorp, Inc.**'s internal control over compliance.

A control deficiency in **Newcorp, Inc.**'s internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

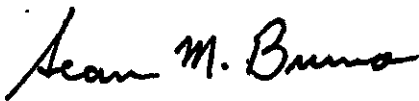
**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)**

Internal Control Over Compliance, (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in Newcorp, Inc.'s internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, the audit committee, management, State of Louisiana and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



**SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS**

June 23, 2009

NEWCORP, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008 ...

SCHEDULE I - Summary of the Independent Auditors' Results

- | | | |
|----|---|---------------------------|
| 1. | Type of report issued on the Schedule of Expenditures of Federal Awards: | <u>Unqualified</u> |
| 2. | Did the audit disclose any material weaknesses in internal control over financial reporting: | <u>No</u> |
| 3. | Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses: | <u>No</u> |
| 4. | Did the audit disclose any non-compliance which is material to the financial statements of the organization: | <u>No</u> |
| 5. | Did the audit disclose any material weaknesses internal control over major federal programs: | <u>No</u> |
| 6. | Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses: | <u>No</u> |
| 7. | Type of report issued on compliance for major programs: | <u>Unqualified</u> |
| 8. | Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a): | <u>No</u> |

NEWCORP, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE I - Summary of the Independent Auditors' Results, Continued

9. The following is an identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>
14.218	Community Development Block Grant- Louisiana Business Recovery Grant And Loan Program
21.020	Community Development Financial Institution Fund

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) is as follows:

<u>Program</u>	<u>Amount</u>
Type A	\$300,000

11. Did the auditee qualify as a low-risk auditee under OMB Circular A-133, Section 530:

No

12. Were management letter comments issued:

Yes

NEWCORP, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE II - Financial Statement Findings

No matters noted.

NEWCORP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE III - Federal Award Findings and Questioned Costs

No matters noted

NEWCORP, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Audit Finding Reference Number

2007 - 01 Cash Management

Conditions and Perspective

As noted in prior's audit, we noted that management of Newcorp received funds from the funding source for the disbursement of grants and loans in compliance with grant requirements; however, the funds were not disbursed within the specified time frame as required by federal regulations.

Current Status

Resolved

Sean M. Bruno
Certified Public Accountants

Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors
Newcorp, Inc.
New Orleans, Louisiana

We have audited the financial statements of **Newcorp, Inc.** for the year ended December 31, 2008, and have issued our report thereon dated June 23, 2009.

In planning and performing our audit of the financial statements, we considered the organization's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit, we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our findings and recommendations regarding those matters. Also, we have reviewed Management's Corrective Action Plan with regard to the December 31, 2008 management letter. The current status of the December 31, 2007 conditions have been summarized in the accompanying memorandum.

This letter does not affect our report dated June 23, 2009 on the financial statements of **Newcorp, Inc.**

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

08-01 - Cost Allocation

As noted in prior years' audit, we noted that management of Newcorp does not have procedures in place to systematically allocate expenditures across all programs operated by Newcorp, which is a requirement of federal regulations.

Recommendation

We recommend that management develop and implement procedures to allocate expenditures across all programs.

Management's Response

We will work with our accountant to develop a cost allocation plan that will enable us to allocate costs across all programs operated by Newcorp.

08-02 - Certificate of Deposit

As noted in the prior year, we noted that Newcorp continues to carry a certificate of deposit in their general ledger without having any supporting documentation as to the balance or interest earned during the year.

Recommendation

We recommend that management determine the balance of the certificate of deposit at December 31, 2008, record the interest earned in the general ledger, and consider moving the funds to an account more accessible by management.

Management's Response

We will contact the bank which holds the certificate of deposit and ensure that we are provided statements on an annual basis and record the interest income on a timely basis.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

08-03 - Financial Transactions

During our audit, we noted that certain transactions selected for testing had not been recorded properly in the general ledger.

Recommendation

We recommend that management implement procedures to ensure that financial statement transaction are appropriately recorded and reviewed by management.

Management's Response

We will implement procedures to ensure that financial statements are reviewed on a monthly basis to ensure that transactions are properly classified.

08-04 - Change the Bank Cutoff Date

The Company may want to consider asking the bank to change the bank cutoff date for the Company's checking account to coincide with the end of its accounting period. At present, the bank cutoff date is the 13th of the month. Changing the date to the end of the month would aid in the preparation of the monthly bank reconciliation.

Recommendation

We recommend that management contact the financial institution and request a change of statement cutoff date.

Management's Response

We concur with the auditor's recommendation and we will contact the bank and request a cutoff date change to the 31st of December.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

STATUS OF PRIOR YEAR'S AUDITORS' COMMENTS TO MANAGEMENT

07-01 - Cost Allocation

During our audit, we noted that management of Newcorp does not have procedures in place to systematically allocate expenditures across all programs operated by Newcorp, which is a requirement of federal regulations.

Status

Unresolved, See current year management letter comment 08-01.

07-02 - Certificate of Deposit

During our audit, we confirmed a certificate of deposit balance maintained by a local bank, the bank confirmation was returned with the prior years' balance being indicated as current year's balance. Management had no supporting documentation which supports the interest earned, nor was any interest recorded in the general ledger.

Status

Unresolved, See current year management letter comment 08-02.

07-03 - Financial Transactions

During our audit, we noted that \$100,000 of grant receipts was recorded as revenues as opposed to deferred revenues, as the program activities had not been completed at year end. We also noted that approximately \$62,000 of fixed assets were not capitalized during the year.

Status

Unresolved, See current year management letter comment 08-03.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

**STATUS OF PRIOR YEAR'S AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

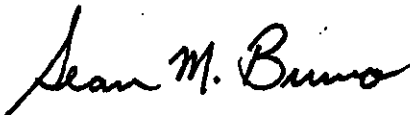
07-04 - Untimely Submission of Audit Report

Newcorp's December 31, 2007 audit report was not submitted within the prescribed deadline as required by Louisiana Revised Statute 24:513. The delay was the result of continued changes in the Louisiana Business Recovery & Loan Program by the funding source, which resulted in delays and changes in the manner in which transactions were initially recorded. The audit start date was also delayed due to monitoring by different agencies.

Status

Resolved

This report is intended solely for the information and use of the State of Louisiana Legislative Auditor's Office, Board of Directors, funding sources, and management and is not intended to be and should not be used by anyone other than these specified parties.



**SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS**

June 23, 2009